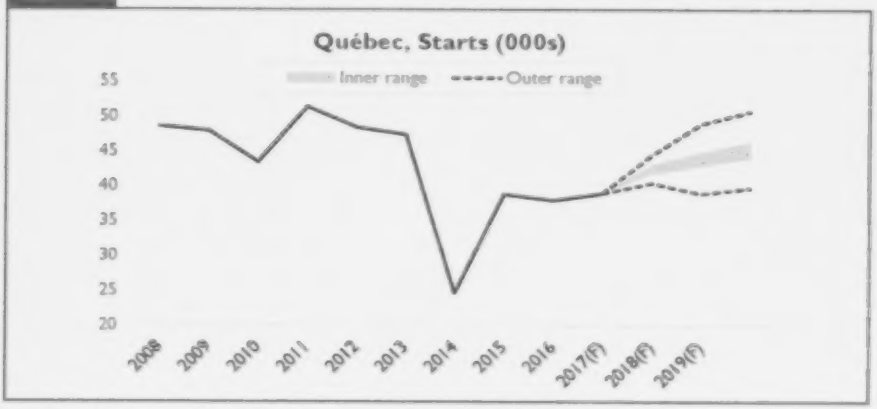
HOUSING MARKET OUTLOOK

Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

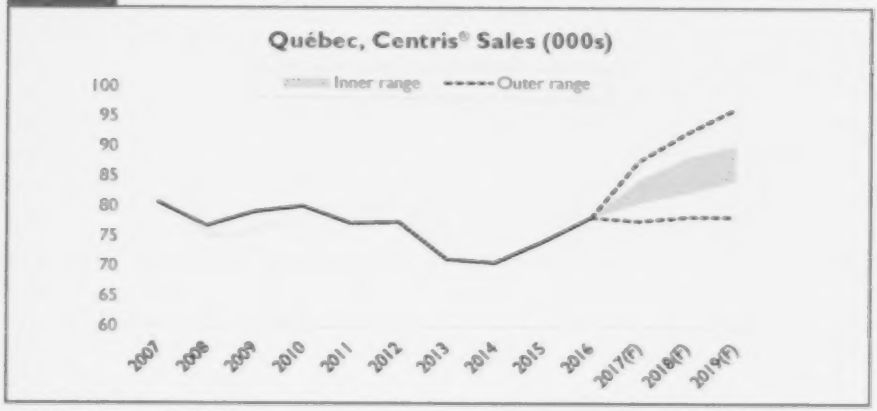
Date Released: Fall 2017

Figure 1



Source: CMHC; (F): CMHC Forecast

Figure 2



Source: QFREB; (F): CMHC Forecast

Highlights[1]

- Quebec's recently stronger employment growth will stimulate housing demand in 2018 and 2019. As a result, the province's resale markets will continue to tighten and prices will be rising. Meanwhile, population aging will provide impetus to residential construction in the apartment market segment.
- In the next two years, economic growth will stem from consumer spending, private investment and public expenditures. As a result, Quebec GDP growth will attain 2.0 % in 2018 and 1.8 % in 2019. Employment growth will come in at 1.5 % in 2018 and at 1.4 % in 2019.
- Quebec's more robust job market will help increase net it's interprovincial balance sheet, while immigration will remain sustained. Total net migration will reach 46,000 per year during the next two years. Such higher levels will increase demand in Quebec's rental markets.

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

Canada

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New market

Stronger employment growth and the tightening of the resale market will sustain demand for single detached homes during the forecast period. However, construction will remain relatively modest, as demand and supply continue to shift toward apartments. As a result, starts of single detached homes will be lie within the 11,000 and 12,000 range in both 2018 and 2019.

In the course of the next two years, starts of multi-family dwellings will be more numerous. While condominium starts begin to rebound, sustained activity is expected in the retirement home and rental market segments. The multi-family market segment will thus record between 31,000 and 34,000 starts during the forecast horizon.

Resale Market

Fuelled by employment growth, demand for resale homes will grow during the next two years. The number of transactions recorded by Centris®, which should exceed 80,000 this year, could approach 90,000 in 2019. Sustained by the tightening market, the average price will be growing during this period. In this context, the average resale price will lie within the $309,000 and $315,000 band in 2018 and between the $317,500 and $324,500 marks in 2019.

Figure 3

Source: QFREB; (F): CMHC Forecast

Figure 4

Source: Statistics Canada; (F): CMHC Forecast

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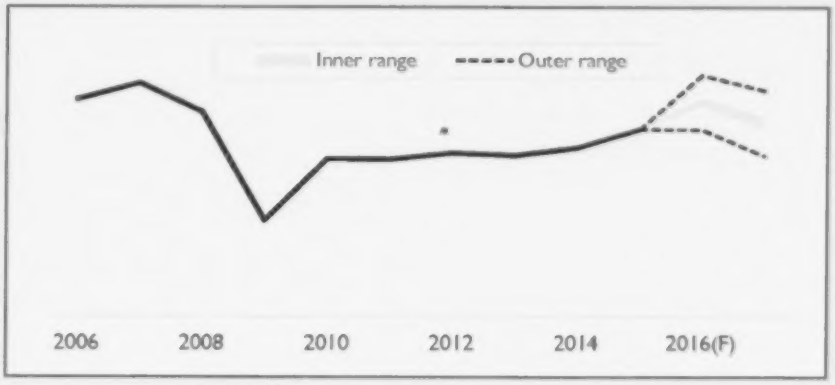
Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary Québec Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	11,227	9,698	10,737	10,800	11,400	11,100	12,100	11,200	12,200
Multiples	27,583	28,228	28,198	30,900	31,700	31,800	32,800	32,800	34,200
Starts - Total	38,810	37,926	38,935	41,700	43,100	42,900	44,900	44,000	46,400
Resale Market									
Centris® Sales	70,620	74,122	78,149	80,600	84,600	82,300	88,300	84,300	90,300
Centris® Average Price($)	271,171	275,207	283,284	294,200	300,200	309,000	315,000	317,500	324,500
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	3.6	4.3	4.3	4.6	4.8	4.8
Two-bedroom Average Rent (October)($)	730	748	775	796	818	835
Economic Overview						
Population	8,230,922	8,274,644	8,344,608	8,407,092	8,472,860	8,539,141
Annual Employment Level	4,059,700	4,097,000	4,133,100	4,214,000	4,278,300	4,339,600
Net Migration	32,744	27,471	45,648	52,620	46,000	46,000
Average Weekly Earnings ($)	814	830	858	877	895	917

QFREB by Centris®. The Centris® system contains all the listings of Québec real estate board.

Rental Market: Corresponds to universe of privately initiated rental apartment structures of three units and over. Historical and forecast values are an aggregate roll-up of the Census Metropolitan Area (CMA) historical data and forecasts from each province.

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of Range,(H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, Centris®, CMHC Forecast (2017-2019).

Québec Region Economic and Housing Indicators

		Labour Market			Housing Market				
		Emp. Growth (%)	Unemp. Rate (%)	Average Weekly Earnings ($)	Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales	Centris® Average Price ($)
Gatineau	Q2 2017	4.5	5.3	997	297	51	246	1,326	263,076
	Q2 2016	-1.7	7.3	988	396	66	330	1,294	246,720
	Change	6.2	-2.0	0.9%	-25.0	-22.7	-25.5	2.5	6.6
Montréal	Q2 2017	4.4	6.7	891	5,136	928	4,208	13,738	368,807
	Q2 2016	0.8	7.9	874	4,719	869	3,850	12,723	348,028
	Change	3.7	-1.2	1.9%	8.8	6.8	9.3	8.0	6.0
Québec	Q2 2017	0.4	4.5	923	2,208	278	1,930	1,960	269,372
	Q2 2016	-2.9	4.0	869	1,588	288	1,300	2,013	268,843
	Change	3.3	0.5	6.3%	39.0	-3.5	48.5	-2.6	0.2
Saguenay	Q2 2017	7.8	6.7	852	117	60	57	350	190,511
	Q2 2016	-4.9	8.6	822	119	66	53	382	183,592
	Change	12.7	-1.9	3.6%	-1.7	-9.1	7.5	-8.4	3.8
Sherbrooke	Q2 2017	-0.1	5.9	793	330	120	210	511	245,585
	Q2 2016	-1.3	6.8	809	277	92	185	519	230,453
	Change	1.2	-0.9	-2.0%	19.1	30.4	13.5	-1.5	6.6
Trois-Rivières	Q2 2017	1.6	6.0	819	168	71	97	308	162,283
	Q2 2016	3.0	7.1	798	212	84	128	351	158,730
	Change	-1.4	-1.1	2.6%	-20.8	-15.5	-24.2	-12.3	2.2
Province of Québec	Q2 2017	2.3	6.2	880	11,309	3,390	7,919	25,585	297,173
	Q2 2016	0.2	7.2	857	10,676	3,229	7,447	24,535	282,855
	Change	2.1	-1.0	2.6%	5.9	5.0	6.3	4.3	5.1
Canada	Q2 2017	1.7	6.5	947	55,085	21,499	33,586	166,363	531,144
	Q2 2016	0.7	6.9	939	53,286	19,826	33,460	177,752	506,217
	Change	1.1	-0.5	0.9%	3.4	8.4	0.4	-6.4	4.9

Changes to the Employment Growth and Unemployment Rate represent the absolute difference between current rates and the rates for the same period in the previous year. Average Weekly Earnings is the 3 month moving average of the last month in the quarter.

QFREB by Centris®: The Centris® system contains all the listings of Quebec real estate board.

n/a: Not Available

Source: CMHC (Starts and Completions Survey). Statistics Canada. QFREB by Centris®. Source for Canada resale housing data is the Canadian Real Estate Board(CREA).

Québec Region Housing Forecast - New Construction

	Housing Starts	2016	2017(F)		2018(F)		2019(F)	
			(L)	(H)	(L)	(H)	(L)	(H)
Gatineau	Single-Detached	375	350	425	375	450	375	475
	Multiples	1,444	1,550	1,675	1,575	1,800	1,625	1,925
	Starts - Total	1,819	1,900	2,100	1,950	2,250	2,000	2,400
Montréal	Single-Detached	2,499	2,450	2,750	2,400	3,000	2,400	3,200
	Multiples	15,335	17,050	17,750	16,600	19,000	16,600	19,800
	Starts - Total	17,834	19,500	20,500	19,000	22,000	19,000	23,000
Québec	Single-Detached	873	805	995	740	1,110	680	1,220
	Multiples	3,893	4,345	5,155	2,775	3,825	2,175	3,425
	Starts - Total	4,766	5,150	6,150	3,515	4,935	2,855	4,645
Saguenay	Single-Detached	190	180	205	180	200	175	190
	Multiples	222	200	225	200	270	185	270
	Starts - Total	412	380	430	380	470	360	460
Sherbrooke	Single-Detached	278	265	295	270	320	270	345
	Multiples	919	835	905	780	955	755	980
	Starts - Total	1,197	1,100	1,200	1,050	1,275	1,025	1,325
Trois-Rivières	Single-Detached	201	200	220	210	235	210	235
	Multiples	469	325	365	515	565	490	590
	Starts - Total	670	700	800	725	825	700	825

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of Range.(H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). CMHC Forecast (2017-2019).

Québec Region Housing Forecast - Resale Market

		2016	2017(F)		2018(F)		2019(F)	
			(L)	(H)	(L)	(H)	(L)	(H)
Gatineau	Centris® Sales	3,941	4,000	4,200	4,100	4,300	4,150	4,350
	Centris® Average Price($)	245,149	259,000	263,000	265,000	272,000	273,000	280,000
Montréal	Centris® Sales	39,866	42,300	43,600	42,100	46,800	42,200	48,700
	Centris® Average Price($)	349,515	365,500	375,000	379,500	406,000	394,500	437,800
Québec	Centris® Sales	6,718	6,685	7,015	6,880	7,220	7,050	7,400
	Centris® Average Price($)	264,420	255,900	270,100	252,000	265,995	247,140	260,860
Saguenay	Centris® Sales	1,091	1,050	1,090	1,065	1,115	1,050	1,140
	Centris® Average Price($)	180,987	181,000	184,000	180,500	185,000	180,500	187,000
Sherbrooke	Centris® Sales	1,796	1,690	1,830	1,675	1,860	1,680	1,890
	Centris® Average Price($)	236,047	238,000	251,000	239,000	257,000	240,000	260,000
Trois-Rivières	Centris® Sales	1,111	1,050	1,100	1,025	1,075	1,025	1,075
	Centris® Average Price($)	158,571	159,000	161,000	160,500	162,500	161,500	163,500

QFREB by Centris®. The Centris® system contains all the listings of Québec real estate board.

The forecasts (F) included in this document are based on information available as of 2nd October 2017.

(L)=Low end of Range (H)=High end of range.

Source: Centris®, CMHC Forecast (2017-2019).

Québec Region Housing Forecast - Rental Market					
		2016	2017(F)	2018(F)	2019(F)
Gatineau	October Vacancy Rate (%)	6.3	6.0	5.7	5.5
	Two-bedroom Average Rent (October)($)	762	770	780	790
Montréal	October Vacancy Rate (%)	3.9	4.1	4.3	4.4
	Two-bedroom Average Rent (October)($)	791	815	840	860
Québec	October Vacancy Rate (%)	4.9	6.0	6.5	6.5
	Two-bedroom Average Rent (October)($)	808	825	835	840
Saguenay	October Vacancy Rate (%)	7.0	6.5	6.3	6.0
	Two-bedroom Average Rent (October)($)	587	600	605	610
Sherbrooke	October Vacancy Rate (%)	6.4	6.7	6.6	6.4
	Two-bedroom Average Rent (October)($)	622	632	642	652
Trois-Rivières	October Vacancy Rate (%)	6.2	6.0	5.5	5.0
	Two-bedroom Average Rent (October)($)	587	595	610	620

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 2nd October 2017.

Source: CMHC (Rental Market Survey), CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which, have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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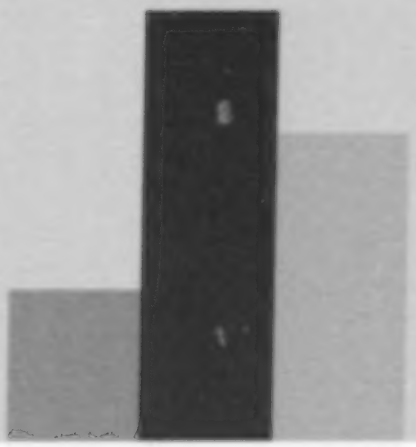

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- Housing Information Monthly
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- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Regional and Northern
- Housing Market Outlook, Canada and Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Residential Construction Digest, Prairie Centres
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